

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1502-01  
Bill No.: HB 725  
Subject: Health Care; Health Care Professionals; Hospitals; Physicians  
Type: Original  
Date: March 10, 2009

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Bill Summary: This legislation requires hospitals to create a nursing advisory board to establish and implement a standardized acuity-based patient classification system for each direct-care unit.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	(\$1,422,748)	(\$1,572,801)	(\$1,619,835)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$1,422,748)</b>	<b>(\$1,572,801)</b>	<b>(\$1,619,835)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
Health Initiatives*	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Income and costs of Unknown in FY10, FY11 & FY12 would net to \$0.

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
General Revenue	20 FTE	20 FTE	20 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>20 FTE</b>	<b>20 FTE</b>	<b>20 FTE</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2010	FY 2011	FY 2012
<b>Local Government</b>	<b>(Exceeds \$125,000)</b>	<b>(Exceeds \$125,000)</b>	<b>(Exceeds \$125,000)</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Department of Insurance, Financial Institutions & Professional Registration (DIFP)** state that having reviewed the proposed legislation and having sought the conclusion of the appropriate board(s), DIFP are of the opinion that this proposal in its present form has no fiscal impact to the Department.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **University of Missouri** assume the proposal would be expensive for University of Missouri Health Care, to form the Advisory Board for all of our facilities would be \$25,000 to 50,000. To do all the monitoring and reporting as described would require at least 1 employee per facility, so in excess of \$125,000. Though our staffing generally fits into the ratios described, UM does staff differently based on patient acuity and if happens as did in California UM would be out of compliance and therefore faced with possible fines.

Officials from the **Department of Health and Senior Services (DHSS)** state the following:

Section 197.283.1: Requires DHSS to establish, monitor, and manage a nursing advisory board for each hospital in the state. There are currently 163 hospitals in the state. If DHSS is to establish, monitor, and manage a board at each of the 163 hospitals there will be a need for additional nursing and clerical staff.

ASSUMPTION (continued)

Section 197.288.1. and 2.: Require the maintenance of a website for public access to the notices. Investigations performed will also require additional staffing, as will promulgation of rules required by various sections. There are currently 16 health facility nursing consultants (HFNC) that perform surveys and investigations at hospitals. That creates a 10:1 ratio of facilities to HFNC. Four clerical staff members are currently supporting the existing 16 HFNCs. It is believed that the establishment, management, and monitoring of each hospital nursing advisory board will require more direct involvement than current activities. Based on the magnitude of board-related activities, coupled with the potential for complaints and investigative activities, DRL is assuming a need for an additional HFNC for each ten hospitals ( $163 \text{ hospitals} / 10 = 16 \text{ FTE}$ ) and four additional Senior Office Support Assistants.

Office of Administration, Information Technology Support Division (ITSD):

Support from ITSD will be needed to develop a system to allow public access to information regarding reports of inspections, results, deficiencies, and corrections as outlined in the legislation. Hardware and Software Licensing costs for Imaging Solution will be \$9,000 for the first year and \$5,000 ongoing maintenance costs. One quarter of an FTE, Computer Information Technology Specialist II, will be needed to provide project management, development support, and administration/maintenance of application.

**Oversight** assumes the DHSS could absorb the additional ITSD caseload that may result from this proposal within existing resources. Therefore, Oversight assumes the DHSS could absorb a one-quarter Computer Information Technology Specialist II FTE.

<u>FISCAL IMPACT - State Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>GENERAL REVENUE FUND</b>			
<u>Costs</u> - Department of Health and Senior Services			
Personal Service	(\$758,739)	(\$937,802)	(\$965,936)
Fringe Benefits	(\$368,975)	(\$456,053)	(\$469,735)
Equipment and Expense	(\$286,034)	(\$173,946)	(\$179,164)
Program Costs-ITSD	<u>(\$9,000)</u>	<u>(\$5,000)</u>	<u>(\$5,000)</u>
Total Costs - DHSS	<u>(\$1,422,748)</u>	<u>(\$1,572,801)</u>	<u>(\$1,619,835)</u>
FTE Change - DHSS	20 FTE	20 FTE	20 FTE
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$1,422,748)</u></b>	<b><u>(\$1,572,801)</u></b>	<b><u>(\$1,619,835)</u></b>
Estimated Net FTE Change for General Revenue Fund	20 FTE	20 FTE	20 FTE
<b>HEALTH INITIATIVES FUND</b>			
<u>Income</u> - Department of Health and Senior Services			
Fines	Unknown	Unknown	Unknown
<u>Costs</u> - Department of Health and Senior Services			
Program Cost	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON HEALTH INITIATIVES FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2010 (10 Mo.)	FY 2011	FY 2012
<b>HOSPITALS</b>			
<u>Costs - University of Missouri</u>	<u>(Exceeds</u> <u>\$125,000)</u>	<u>(Exceeds</u> <u>\$125,000)</u>	<u>(Exceeds</u> <u>\$125,000)</u>
<b>ESTIMATED NET EFFECT ON HOSPITALS</b>	<b><u>(Exceeds</u> <u>\$125,000)</u></b>	<b><u>(Exceeds</u> <u>\$125,000)</u></b>	<b><u>(Exceeds</u> <u>\$125,000)</u></b>

FISCAL IMPACT - Small Business

A few hospitals would meet the definition of a small business and could incur costs related to implementation of the proposed legislation.

FISCAL DESCRIPTION

The proposed legislation requires each licensed hospital to create a nursing advisory board to establish and implement a standardized acuity-based patient classification system within six months of the legislation's effective date for each direct-care unit in the hospital. The Department of Health and Senior Services is required to establish, monitor, and manage each advisory board.

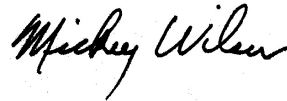
By January 1, 2011, all hospitals must meet minimum direct-care registered nurse-to-patient ratios as specified for various units within a hospital. As a condition of licensing, each hospital must annually submit to the Department a staffing plan with a written certification that the hospital is in compliance with the established acuity-based nurse-to-patient ratios which accomplishes specified requirements.

The Department can suspend or revoke any hospital's license for failure to comply with an order arising from a noncompliance. A person or entity that falsifies a document that is required to be filed with the Department under the provisions of the legislation will be guilty of a class C misdemeanor. Hospitals can be fined up to \$25,000 per violation for failing to follow a daily written nurse staffing plan. The fines collected will be deposited into the Health Initiatives Fund to provide moneys to any in-state school of nursing to increase faculty, grant scholarships, or assist licensed practical nurses in becoming registered nurses.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration  
Department of Health and Senior Services  
Office of the Secretary of State  
University of Missouri

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
March 10, 2009